Statement of Commissioner Paul Smith on the Tumultuous Stock Market and USA's Deteriorating Credit Rating

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A few days ago, the credit rating of the United States of American was lowered from AAA to AA+. Secretary of the Treasury, Tim Geithner, had adamantly insisted that this would never happen. But that is what you get when the government continues to spend money that it does not have. Perhaps this will be a wake-up call for Mr. Geithner and the people whose mindset he represents. Some people have urged the firing of Mr. Geithner because our credit rating was lowered. I disagree with this reason. Maybe he should never have been appointed and confirmed in the first place, since he had problems paying his taxes. But Mr. Geithner's erroneous insistence that the USA's credit rating could never be cut is merely a reflection of the people who appointed him, and therefore to fire Geithner for this reason would be a meaningless action. He would become a scapegoat, when he was merely a pawn for the President's policies.

One of the main causes of the lowering of our national credit rating is the current administration's policy to borrow our way out of the current deep recession. This is a faulty philosophy. Increasing our debt may borrow some time, but it increases the severity of our fiscal condition. This is true for our nation just as much as it is true for individuals.

However, the more important lesson for America to learn is that even the Great United States of America is not exempt from the consequences of ignoring fundamental financial principles, such as:

Don't spend more money than you bring in.

Live within your means.

There is a limit the amount of debt that one can amass.

Those who understand interest receive interest payments; those who don't pay it.

Local governments face these same financial issues as the federal government is now facing. In Frederick County, we are taking serious measures to make cuts to preserve and strengthen our fiscal condition. Up to this point, the federal government has not taken this approach. This Board takes seriously the fiscal crisis that threatens the County, the State and the nation. I call upon State and federal legislators to do likewise.

In the current crisis, where our tax revenues have been cut significantly, in order for the government to live within its means, it requires that we take multiple actions: (1) We must improve efficiencies; (2) We must work better with other governments (through synergies) to find savings; and (3) we must cut programs that we cannot afford. The latter step necessarily involves the elimination of some employees. The County realizes this, and we have taken some painful steps in this direction. At this point it is the federal government and the State government that are lagging behind. Until Mr. Geithner and his bosses catch the vision of what must be done, our federal government will continue to have serious financial problems.

The recent precipitous decline in the stock market is the inevitable result of a nation that refuses to acknowledge that it cannot continue to increase expenditures and dispense benefits when it no longer has the money to do so. A disciplined national fiscal policy is the foundation to a strong national credit rating, and it is the foundation of the national economic recovery that we need.